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SUBJECT: EU LEADERS CLINCH LANDMARK DEAL ON "LISBON TREATY"

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(This message was prepared by USEU, coordinated with Embassy  
Lisbon)

SUMMARY

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¶1. EU leaders, at their informal Summit meeting in Lisbon October 18-19, reached an overall agreement on the new EU Treaty that will be signed in Lisbon on December 13. The deal was clinched after the Portuguese Presidency managed to overcome outstanding reservations by Italy and Poland on two specific issues. Italian PM Prodi obtained an extra seat in the European Parliament in a gesture from colleagues aimed at easing his concerns that Italy would emerge with fewer MEPs than other EU big states post-2009. The Portuguese also found a formula unblocking the Polish stalemate on voting rights in the EU Council. The treaty deal, hailed as "historic" by Commission President Barroso, puts an end to six years of inward-looking debate by the Union about institutional reforms. It immediately enabled the leaders, who claimed they are now in a position to address the real concerns of their citizens, to turn their attention to the challenges of globalization. USEU will follow up with a detailed analysis of the new treaty in the weeks ahead. END SUMMARY.

"A VICTORY FOR EUROPE"

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¶2. EU leaders in the early hours of October 19 sealed their agreement on the text of a new treaty seen as essential for the EU to streamline its institutional and decision-making mechanisms and to enhance its ability to act on the international scene. A delighted Portuguese PM Socrates said the leaders would formally sign what will become the "Treaty of Lisbon" in the Portuguese capital on December 13 (only five days after the EU-Africa Summit), right before heading to Brussels to meet in their regular, formal European Council meeting. The signing will open the way for ratification of the new treaty by the EU-27, a process to be conducted by the individual Member States in accordance with their own modalities. Only Ireland is expected to hold a referendum at this point.

¶3. Bound to enter into force in 2009 (exact timing will depend on pace of ratification process), the "Treaty of Lisbon" will complement and amend its predecessors, rather than replace them as the draft Constitutional Treaty rejected by the French and Dutch voters in 2005 was supposed to do. Among the major innovations is the creation of the job of permanent President of

the European Council, to be elected by EU leaders for a two-and-a-half-year term (renewable once). The jobholder will prepare EU summit meetings and be the chief interlocutor with the U.S. President, including at our bilateral Summits. Another change of special interest to the USG will be the merging of the current functions of the High Representative for CFSP (Solana) with those of the RELEX Commissioner (Ferrero-Waldner) in the "High Representative of the Union for Foreign Affairs and Security Policy." The post-holder will also be a Vice-President of Commission, which should ease coordination of EU external actions. Commission President Barroso said the leaders assured the European Parliament it would have a say in the nomination of the High Representative if appointment took place before the installation of a new Commission at the end of 2009.

14. "With this agreement Europe has emerged from its institutional crisis," PM Socrates told a joint press conference with Barroso in the early hours of October 19. Socrates and Portuguese compatriot Barroso openly displayed their cooperation, praising each other in joint celebration of a major success for their country and its capital. Socrates hailed a "victory for Europe," saying the EU was "coming out stronger" from its six years of negotiations on institutional issues with the ability to "play its full role" in the world. Barroso opined: "In this case, we're really talking about a historic agreement, which really gives the European Union a capacity to act and to turn to issues most important to its citizens." As an illustration, the leaders turned their attention to the EU's role in facing the challenges of globalization at a two-hour working session on the morning of October 19.

15. Though the Portuguese Presidency was credited

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for its skillful handling of the treaty reform negotiations, rumor in the press room had it that French President Sarkozy and veteran EU summiteer, Luxembourg PM Juncker, also worked behind the scenes to address Polish and Italian concerns.

ONE MORE MEP FOR ITALY

16. Italy had voiced strong opposition over the past few weeks to the proposed reallocation of seats in the European Parliament. The leaders had agreed last June to a revised treaty provision setting the total of MEPs at 750 (from the current 785) after the next direct election in June 2009. The EP itself worked on the country-by-country breakout, roughly based on population sizes. PM Prodi, under pressure from his domestic opposition, resisted the formula, under which Italy would lose the parity in EP seats it currently enjoys with France and the UK. Under the EP proposal, the three countries would all lose seats post-2009, with France going from 78 seats to 74, the UK from 78 to 73, and Italy from 78 to 72. The leaders eventually agreed to increase by one the total number of MEPs from 750 (in creative arithmetics, taking the EP President out of this total), thus making it possible to allocate an extra seat to Italy. PM Socrates said the leaders would take a formal decision on the detailed allocation of seats at their next meeting in December 2007.

## TAKING CARE OF POLAND

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¶17. The new treaty will over time (not before 2014-2017) replace the current system of weighted voting in the Council by a simpler requirement for a "double majority" (55 percent of countries, corresponding to 65 percent of the total EU population) that will have the effect of reducing Poland's weight in the approval of (mostly economic) legislation tabled by the Commission. Anxious to appear as the staunchest defenders of national interests on the eve of Polish elections, the Kaczynski brothers had called for the new treaty to enhance the legal status of the so-called "Ioannina compromise," a complex mechanism that allows outvoted EU governments to request further deliberations of the draft legislation they dislike. In essence, the mechanism will remain the subject of a "Declaration" annexed to the new treaty. However, the Poles secured a legally binding Protocol specifying that the Ioannina mechanism can only be altered by consensus (meaning with Poland's consent).

¶18. Another demand from Poland to have its own advocate-general at the European Court of Justice, a right only Germany, the UK, France, Italy and Spain currently have, was met through an undertaking to create two new positions of advocate-general in 2009, one of which would be reserved for Poland. The second position will allow for a better rotation of posts. No treaty amendment is actually required for this change. President Lech Kaczynski concluded that "Poland got everything it wanted. I'm very happy this business is behind us."

## BROWN REBUFFS CALLS FOR UK REFERENDUM

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¶19. The UK kept a fairly low profile in the Lisbon institutional discussions, having secured its "red lines" in the June 2007 European Council and the subsequent Intergovernmental Conference (IGC), in which legal experts drafted the treaty text. Gordon Brown, attending his first Summit in his capacity as Prime Minister, confirmed his endorsement of the draft before the meeting even started. Speaking at a press conference, Brown said the new treaty guaranteed British sovereignty in justice, home and foreign affairs and security issues. In exchanges with UK press intended to defuse domestic criticism, Brown maintained, "On these major issues ... the British national interest is protected." Brown consequently made it clear he had no intention of bowing to critics urging him to hold a referendum on the new treaty. "If it was the old draft Constitutional Treaty, there would have been a referendum, but this is an amending treaty." Brown stressed it was time for the EU to move on to the major issues that affect the people of Europe, "that is better

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jobs, that is higher prosperity, that is better security against terrorism, action against climate change. These are the issues our people want us to address."

## OTHER COUNTRIES

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¶10. Austria had called for the new treaty to provide a legal basis codifying the quotas imposed by universities on non-Austrian students, a measure in breach of existing EU rules by the

EU Court of Justice. The Austrians argue that their medical lecture halls are filled by German students bound to return to their country of origin after qualifying, a situation that could soon lead to a drastic shortage of doctors. Their EU partners countered that the problem should be solved with the Commission, which was prepared to give the Austrian government more time to provide additional data in support of its claim. The Commission thus opened the way to a suspension of its ECJ proceedings against Austria and to a compromise solution to be worked out over time between Brussels and Vienna.

¶11. Further compromises were found in Lisbon or beforehand with the Czech Republic and Bulgaria, which had gripes, respectively, over the possibility of rescinding EU legislation and the spelling of the word "euro" in the Cyrillic alphabet.

#### COMMENT

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¶12. Although there remains some concern in EU capitals that PM Brown might still run into political troubles that would force him to hold a referendum, the "Treaty of Lisbon" was crafted in a way that makes its final ratification and entry into force a good probability. The Lisbon deal, ending years of navel-gazing about the EU institutions, enables the EU-27 to turn their attention to the common challenges facing them in the globalization era, thus giving the EU a chance to reconnect to its citizens. However, the leaders will likely encounter other bones of contention soon, including questions about the future course of the EU on the world stage and the limits of its integration and expansion.  
Hoffman